



# THE COMMITTEE ON ENERGY AND COMMERCE

## INTERNAL MEMORANDUM

May 23, 2011

To: Health Subcommittee Members

From: Majority Staff

Re: Hearing Memorandum

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On Wednesday, May, 25, 2011, at 10:00 a.m. in 2123 Rayburn, the Subcommittee on Health will hold a hearing entitled “Expanding Health Care Options: Allowing Americans to Purchase Affordable Coverage Across State Lines.”

The purpose of the hearing is to examine federal and state proposals that would allow consumers to purchase health coverage licensed and sold outside their state of residence.

### I. Witnesses

#### *Panel One*

**Stephen Parente, Ph.D.**

Professor of Health Finance  
University of Minnesota

**Christie Herrera**

Director, Health and Human Services Task Force  
American Legislative Exchange Council

**Paul Howard, Ph.D.**

Senior Fellow  
Manhattan Institute

**Steve Larsen**

Director  
Center for Consumer Information and Insurance  
Oversight  
Centers for Medicare and Medicaid Services

**Stephen Finan**

Senior Director of Policy  
American Cancer Society  
Cancer Action Network

### II. Discussion

Cost is a key factor cited by the uninsured as the reason for their lack of health coverage. A 2010 survey from the Employee Benefit Research Institute found that 85 percent of uninsured workers reported they did not have coverage because it was either, “too expensive or they could not afford it.”<sup>i</sup>

Currently, states impose a variety of health insurance regulations and mandated benefits that significantly affect premium prices in the individual health insurance market. For example, some states have imposed guaranteed issue and community rating requirements. These laws respectively mandate that insurers issue a policy regardless of health status and limit medical underwriting by forcing individuals to pay the same premiums regardless of future anticipated medical expenses.

States have also required that health coverage include a variety of mandated benefits, such as hair prosthesis (wigs), in vitro fertilization, morbid obesity treatment, and acupuncture. States also require health insurance cover certain providers such as chiropractors and massage therapists. According to the Council for Affordable Health Insurance (CAHI), states imposed a total of 2,156 benefit and provider mandates in 2010. These mandates can raise the cost of a policy between 10 and 50 percent.<sup>ii</sup>

Differing state mandates have contributed to wide variations in premiums across the country. According to a report from America's Health Insurance Plans, the average annual family premium in Iowa was \$5,609 compared to \$13,296 in New York and \$13,288 in Massachusetts.<sup>iii</sup> In addition to imposing numerous benefit-specific mandates, both New York and New Jersey require guaranteed issue and community rating in their individual health insurance market.

### **III. Issues**

#### **A. Federal Reform**

Members have introduced legislation to promote interstate purchase of health coverage and expand the number of affordable health care options for consumers. H.R. 371, "The Health Care Choice Act of 2011," was introduced by Marsha Blackburn (R-TN). The bill would generally allow individuals to purchase health coverage licensed in other states if the insurer meets solvency standards and provides independent external appeals procedures for benefit disputes.

In addition to premium data showing vast differences between state individual market premiums, research has demonstrated the proposal can dramatically reduce the number of uninsured by increasing the number of affordable health coverage options. A study published by the University of Minnesota estimates that eliminating the prohibition on interstate purchase of coverage could increase the number of insured Americans by over 12 million.<sup>iv</sup>

#### **B. State Reform**

Several states have introduced legislation to promote interstate purchase of health coverage. According to the American Legislative Exchange Council, state versions of the Health Care Choice Act have been introduced in 15 states. In addition, Maine and Georgia have enacted laws to promote interstate purchase in the past month.

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*If you need more information, please call Paul Edattel or Ryan Long at 5-2927.*

<sup>i</sup> *The Impact of the Recession on Employment-Based Health Coverage*. Employee Benefit Research Institute (May 2010)

<sup>ii</sup> *Trends in State Mandated Benefits*. Council for Affordable Health Insurance (October 2010)

<sup>iii</sup> *Individual Health Insurance 2009: A Comprehensive Survey of Premiums, Availability, and Benefits*. America's Health Insurance Plans (October 2009)

<sup>iv</sup> *Consumer Response to a National Marketplace for Individual Insurance*. Stephen Parente, Ph.D., Roger Feldman, Ph.D., Jean Abraham, Ph.D. (June 28, 2008)